

## Bachus Statement During Capital Markets Regulatory Reform Hearing

October 6, 2009

WASHINGTON - Congressman Spencer Bachus, the top Republican on the Financial Services Committee, made the following statement today during the Full Committee hearing entitled, "Capital Markets Regulatory Reform: Strengthening Investor Protection, Enhancing Oversight of Private Pools of Capital, and Creating a National Insurance Office."

"Thank you Mr. Chairman for convening today's hearing to discuss legislation to reform our capital markets, which is necessary and long overdue.

"The catastrophic failure of AIG and the Madoff and Stanford Financial Ponzi schemes provided clear evidence that our current regulatory structure is in need of repair. Republicans and Democrats have both offered legislation to address these concerns. Chairman Kanjorski's draft bill, which is the subject of today's hearing, incorporates key portions of the Republican Financial Regulatory Reform plan, including providing the SEC with enhanced enforcement powers and giving victims of financial fraud additional relief. The legislation represents a sound foundation on which to build a bipartisan consensus on investor protection issues.

"The draft bill also contains provisions sponsored by Representatives McCarthy, Lee and Jenkins that have already passed the House this year by suspension and which clarify and provide technical corrections to securities laws in addition to promoting transparency in financial reporting. It includes the provisions of H.R. 2873, introduced by Representative John Campbell, to provide the SEC with increased enforcement powers. All of these provisions will enhance investor protection, modernize our capital markets and begin to restore investor confidence in the SEC, and I commend Chairman Kanjorski for incorporating them in his draft.

"Other elements of the draft bill require further study, in my view. For example, the bill could substantially increase dispute resolution costs for investors and compliance costs for firms by providing the SEC with the authority to restrict or eliminate arbitration agreements. In addition, the discussion draft does not go far enough in restructuring the SEC. The Inspector General's Report detailing the massive failure by the SEC staff to detect the Madoff Ponzi scheme is the best evidence for SEC reform. The Office of Compliance, Inspections and Examinations (OCIE) needs to be eliminated and its functions returned to the divisions from which it was created.

"Chairman Kanjorski has also released draft legislation to address private pools of capital and insurance. The 'Private Fund Investment Advisers Registration Act' mandates SEC registration for previously unregistered advisers of hedge funds, private equity and other private pools of capital. While no private pool of capital was a source of systemic risk or contributed to the current financial crisis, greater transparency in this part of our capital markets could serve as an important safeguard in the future. However, we must ensure that any new regulatory powers granted to the SEC are appropriate and do not interfere with the comprehensive due diligence that investors already perform.

"Finally, today's hearing will examine the 'Federal Insurance Office Act of 2009,' which would create a new Federal Insurance Office housed within the Treasury Department that would begin to deal with insurance issues at the federal level. This draft legislation builds upon bipartisan insurance legislation reported by this Committee in the 110th Congress and a bill introduced by Chairman Kanjorski and Oversight and Investigations Subcommittee Ranking Member Judy Biggert in the 111th Congress. I look forward to hearing today from the witnesses who are experts in the field of insurance or reinsurance regulation as we move forward in this debate."

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